



Comptroller General
of the United States
Washington, D.C. 20548

Wolcott
145111

Decision

Matter of: Madison Services, Inc.

File: B-245420

Date: October 17, 1991

Christopher Solop, Esq., Ott, Purdy & Scott, for the protester.

Glenn G. Wolcott, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Because a solicitation requirement for a bid bond in an amount related to the "contract price" obligates a bidder to submit a bond in an amount related to the base contract period only, allegation that awardee's bond is insufficient to cover option periods provides no basis for protest.

DECISION

Madison Services, Inc. protests the Department of the Air Force's award of a contract to Service Master All Cleaning Services, Inc. under invitation for bids (IFB) No. F05604-91-B-0058. Madison protests that Service Master's bid should have been rejected as nonresponsive based on the amount of the bid bond Service Master submitted.

We dismiss the protest.

The solicitation was issued on August 19, 1991, for custodial services to be provided at Peterson Air Force Base, Colorado. The solicitation sought bids for a base year and 4 option years and required offerors to submit bid bonds equal to 20 percent of the "contract price."


Service Master's bid for the base year was \$368,468; its combined bid for the base year and 4 option years was \$1,842,340. Service Master submitted a bid bond in the amount of \$84,000--slightly more than 20 percent of its bid for the base year, but substantially less than 20 percent of its total bid for the base year and 4 option years. Madison asserts that Service Master's bid should have been rejected as nonresponsive since its bid bond was less than 20 percent of its combined bid for the base year and 4 option years.

A solicitation requirement regarding submission of a bid bond in an amount related to the "contract price" only obligates a bidder to submit the bond in an amount related to the base contract period. See Pacific Coast Utilities Serv., Inc., B-209003.2, Jan. 20, 1983, 83-1 CPD ¶ 73. In Pacific Coast, considering a factual situation identical to that presented here, we explained that the requirement for submission of a bid bond as a percentage of the "bid price" referred only to the price bid for the base contract period. Therefore, we summarily rejected the argument Madison raises here; that is, that an awardee's bid should be considered nonresponsive for failing to submit a bid bond based on the amount bid for all option periods.

An option is simply a unilateral right of the government by which, for a specified time, the government may elect to purchase additional supplies or services called for by the contract, or to extend contract performance. See generally, Jantec, Inc., B-243192, Mar. 14, 1991, 91-1 CPD ¶ 289; Pacific Coast Utilities Serv., Inc., supra. The exercise of an option is contingent on a number of factors including a continuing need for the services, the availability of funds, and the advantage to the government of exercising the option instead of conducting a competitive procurement. Id. Given the contingent nature of options, the adequacy of a bid bond is determined on the basis of the price for the base period, without regard to renewal periods. Pacific Coast Utilities Servs., Inc., supra; Building Maintenance Corp., B-187843, Jan. 25, 1977, 77-1 CPD 55, aff'd B-187843, Feb. 23, 1977, 77-1 CPD ¶ 131; see also American Roofing and Metal Co., Inc. and Port Enters., Inc., a Joint Venture, B-239457, Aug. 24, 1990, 90-2 CPD ¶ 153. Our rationale for requiring offerors to submit bid bonds based only on the base contract period is that the government generally does not pay contractors, in the form of prices that include premiums for bonds covering option periods, for the protection of only contingent interests. Id.

Since there is no legal requirement that the bid bond be sufficient to cover the option periods, Madison's submission fails to state a valid basis for protest. See 4 C.F.R. § 21.3(m) (1991).

The protest is dismissed.


Paul I. Lieberman
Assistant General Counsel